

Message Text

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SUBJECT: EMPLOYMENT PROMOTION MEASURES (CER6-59700)

REF: STATE 42809

1. GOVERNMENT SUBSIDIES TO STIMULATE PRODUCTION FOR INVENTORY IS A DEVICE WHICH SWEDES TRIED OUT INITIALLY IN 1972 DURING PREVIOUS RECESSION. IT WAS REINTRODUCED FOR 12-MONTH PERIOD BEGINNING JUNE 1975 AND WAS AFTERWARD EXTENDED THROUGH DECEMBER 1976 UNDER A SUPPLEMENTARY BUDGET BILL PASSED LAST DECEMBER. SOLE PURPOSE OF MEASURE IS TO MAINTAIN EMPLOYMENT LEVELS.

2. UNDER PRESENT RULES, APPROVED COMPANIES ARE REIMBURSED BY THE GOVERNMENT FOR 20 PERCENT OF THE VALUE OF INCREASED INVENTORY FROM JULY 1, 1975 (BASE PERIOD) THROUGH DECEMBER 31, 1976. IN ORDER TO BE ELIGIBLE FOR GRANTS, COMPANIES MUST SHOW THAT EMPLOYMENT HAS BEEN MAINTAINED AND ALSO THAT THEY HAVE NOT USED OTHER INVESTMENT FUND RESERVES FOR INVENTORY BUILDUP OR DEPRECIATION. FIRMS WITH ANY NUMBER OF EMPLOYEES ARE ELIGIBLE FOR GRANTS AND THEY CAN BE ENGAGED IN EITHER MANUFACTURING OR NON-MANUFACTURING ACTIVITY. VALUE OF INVENTORY BUILDUP IS ASSESSED IN FIXED PRICES. OTHER PROVISIONS ALLOW PARTICIPATING FIRMS (1) TO OBTAIN 75 PERCENT ADVANCE ON GRANTS AT INTEREST OF 3 1/4 PERCENT ABOVE CURRENT DISCOUNT RATE (ADDS UP TO ABOUT 9 PERCENT AT PRESENT); AND (2) GET GOVERNMENT GUARANTEES FOR LOAN REFINANCING IN EXCESS OF APPROVED GRANTS. PROGRAM IS ADMINISTERED BY NATIONAL

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LABOR MARKET BOARD (AMS).

3. A PRELIMINARY EVALUATION OF 1972 PROGRAM WAS GENERALLY FAVORABLE ALTHOUGH USE WAS MORE LIMITED THAN EXPECTED. REPORT SHOWS THAT 359 COMPANIES EMPLOYING TOTAL OF 97,000 EMPLOYEES RECEIVED INVENTORY ASSISTANCE AMOUNTING TO SKR. 144 MILLION. SUBSIDY GENERATED INVENTORY BUILDUP VALUED AT SKR. 737 MILLION. IT WAS FOUND THAT PROGRAM WAS MOST POPULAR WITH COMPANIES ENGAGED IN EARLY STAGES OF MANUFACTURING CHAIN. EXPLANATION IS THAT PRODUCTS IN THIS CATEGORY ARE GENERALLY LESS BULKY AND FRAGILE AND THEREFORE EASIER TO STORE AND ALSO RUN SMALLER RISK OF BECOMING OUTDATED.

4. CONCERNING CURRENT OPERATION OF SCHEME, AMS HAD RECEIVED APPLICATIONS UP TO MID-DECEMBER 1975 FROM 533 COMPANIES WITH TOTAL EMPLOYMENT OF 126,000. ESTIMATED VALUE OF INCREASED INVENTORY BUILDUP WAS SKR. 3.2 BILLION. THERE HAS BEEN NO ATTEMPT SO FAR TO ESTIMATE NUMBER OF JOBS WHICH HAVE BEEN PRESERVED THROUGH INVENTORY ASSISTANCE BUT ECONOMIC ANALYSTS BOTH IN AND OUT OF GOVERNMENT INVARIABLY AGREE THAT PROGRAM HAS BEEN SIGNIFICANT CONTRIBUTORY FACTOR IN SUSTAINING EMPLOYMENT LEVELS SO FAR. ON OTHER HAND, THERE IS ALSO GENERAL AGREEMENT THAT INVENTORY SUPPORT IS SHORT-TERM REMEDY AND PRESUPPOSES THAT UPTURN IN ECONOMIC CONDITIONS WILL OCCUR FAIRLY SOON. IT IS OBVIOUS THAT PRODUCING FOR INVENTORY CANNOT CONTINUE INDEFINITELY.

5. RE TRAINING PROGRAM FOR WORKERS IN PRIVATE INDUSTRY WHO WOULD OTHERWISE HAVE BEEN DISCHARGED OR LAID OFF, THERE IS LITTLE WE CAN SAY BEYOND STATEMENT IN STOCKHOLM A-338. PROGRAM HAS BEEN IN EXISTENCE FOR SOME TIME. AS OF JANUARY 15, THERE WERE APPROXIMATELY 3,500 TRAINEES UNDER THIS PROGRAM WHICH INDICATES RATHER LIMITED INTEREST ON PART OF EMPLOYERS. DOUBLING OF PREVIOUS SKR. 6 PER HOUR SUBSIDY WENT INTO EFFECT ON JANUARY 1 AND IT IS STILL TOO EARLY TO TELL WHETHER THIS INCREASE WILL ENCOURAGE SIGNIFICANTLY WIDER PARTICIPATION. STRAUSZ HUPE

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